



# Public Policies

Published by the Missouri Department of Insurance

Vol. VI, No. 8

P.O. Box 690, Jefferson City, MO

May 2002

## Minority Missourians, long charged higher rates for life insurance, to share in \$34 million Unitrin settlement

*Five-state group, including Missouri Department of Insurance, gains settlement for overcharged African-Americans, beneficiaries never paid for multiple policies*

Gov. Bob Holden announced that Unitrin Inc. has agreed to pay thousands of its life and accident insurance policyholders in Missouri part of a \$34 million national settlement because it charged racially discriminatory prices and failed to pay off multiple policies.

Because of its treatment of largely minority policyholders, Unitrin also will pay \$1.2 million in fines to states nationwide, including \$104,502 to Missouri's school textbook fund, Department of Insurance Director Scott B. Lakin said.

The National Association of Insurance Commissioners designated Missouri as one of five lead states in investigating charges of improper pricing and payouts and negotiating the settlement. Illinois' department headed the inquiry.

In Missouri, the settlement covers the policyholders and beneficiaries of 34,642 small-value life and accident policies in force since 1960 that were issued by Reliable Life Insurance Co., United Insurance Co. of America and Union

National Life Insurance Co., all subsidiaries of Unitrin. Missourians are among the fourth-largest holders and beneficiaries of 478,000 policies affected

nationwide.

"It is unfortunate that, decades ago, insurance companies believed they were justified in charging blacks more for the same coverage than whites. It is inexcusable that these higher premiums still are charged today, after decades of progress in civil rights," Gov. Holden said.

Lakin said the Unitrin investigation and settlement are among several that state insurance regulators are pursuing across the country with companies that charged higher prices to minorities. Since mid-2001, Missourians have been paid an as-yet undetermined amount by American General Insurance Co. for racially discriminatory premiums. A much smaller settlement, announced last month, will benefit the state's policyholders of Life Insurance Co. of Georgia. More pending settlements have not been announced.

The Unitrin policies largely provided what is known as "industrial life" coverage, also known as burial policies because of their small size and likely use. The policies usually were sold door to door in low-income communities, both African-American and white, and often agents personally collected a small amount each week in premiums from policyholders.

Black Missourians were charged more for the same coverage because actuarial tables showed whites lived longer. But the higher premium prices continued after court cases in the 1960s found that

*(See Unitrin settlement, p. 2)*



## Unitrin settlement

(continued from page 1)

an 1866 federal law barred discriminatory pricing in private contracts.

Unitrin, largely through its Reliable Life subsidiary, is the largest industrial life insurance writer in Missouri, with 42 percent of the market. Unitrin did not acknowledge wrongdoing in agreeing to the settlement.

The Unitrin settlement also included an estimated \$6 million for the companies' failure to pay for all life insurance policies outstanding when an insured person died.

The average policy sold in Missouri had a face value of \$640, so policyholders often bought more than one. However, when the insured person died, the company did not always check its files to make sure that all policies were paid. Because beneficiaries usually didn't know how many policies were purchased and didn't know to ask about other policies, the company kept the proceeds.

For those holding current insurance policies or beneficiaries of persons who died since 1990, Unitrin is responsible for identifying them and arranging for the proper compensation. For beneficiaries of persons who died between 1960 and 1990, they need to contact the administrator of the Unitrin settlement at 1-877-358-4505 to file for compensation.

The administrator also can answer other questions about the settlement. If policyholders or beneficiaries have difficulties, they should contact the Missouri Department of Insurance at 1-800-726-7390 or [www.insurance.state.mo.us](http://www.insurance.state.mo.us) for assistance.

Among the 34,642 Missouri policies covered by the settlement:

- Missourians are still paying premiums on 2,310 policies, which means the insured is living. Those policyholders can choose between increasing the ultimate payout of the policy or receiving a refund of the overpaid premiums. Benefits also will increase to cover interest owed on the extra payments. The company will reduce future premiums to the same level paid by whites; as of today, minorities still are charged higher

premiums.

- Under the settlement, the company's liability is capped at \$12.3 million nationwide for increased death benefits on these policies. Unitrin will reduce premiums by an estimated \$4 million, but no cap has been placed on this amount.

- Another 12,881 policies are paid up and will receive the same treatment as those with ongoing premium payments. Relief will total at least \$5.3 million.

- Beneficiaries have been paid or have pending claims on 3,957 policies. They will receive extra benefits on a sliding scale. These policies will receive at least \$5.5 million from the settlement.

- An undetermined number of policyholders allowed their policies to lapse. They can reinstate their benefits by paying all past-due premiums after an adjustment to make the overall payment race neutral; the coverage is not subject to underwriting – rejection because of medical conditions – up to \$5,000 in face value.

- A fund, estimated at \$6 million, will cover the company's failure to pay beneficiaries when the insured had multiple policies.

Besides state regulatory action against Unitrin, the settlement also disposes of a class-action lawsuit in Jefferson Co., AL. The judge in that case still must sign off on the settlement for it to take effect.

Numerous documents related to the settlement are posted on the MDI Web site at [www.insurance.state.mo.us](http://www.insurance.state.mo.us).



# Unlicensed Texas group health plan now worthless to Missouri subscribers, Lakin warns

*Unlicensed American Benefit Plans' operations seized by Texas insurance regulators;*

*Problem likely to grow as health insurance premiums continue rising, Lakin says*

Department of Insurance (MDI) Director Scott B. Lakin warned Missourians who thought they had health insurance through an unlicensed Texas firm that state authorities there have seized the operations and claims payments have stopped.

Lakin urged "policyholders" of American Benefit Plans or its affiliates to seek alternative coverage immediately to safeguard their health-care and financial needs and preserve their federal health-insurance rights.

"It is important that these Missourians secure immediate coverage elsewhere to help cover their health-care costs and avoid facing painful decisions about whether they can afford treatment for themselves and their families. Consumers and their employers need to ensure that no more payroll deduction checks are sent to anyone connected with these health plans," Lakin said.

"Finally, they also need to find replacement coverage by early May to make sure they don't lose coverage of their pre-existing conditions under a new policy."

Under federal law, if group health plan members have no more than a 63-day lapse in their coverage, they retain their rights to have immediate coverage of pre-existing health conditions with a new group insurer. Otherwise, they could face up to one year of no coverage for doctor's care, therapy, hospitalization and prescriptions for those illnesses.

Federal law also gives former group plan members, for 63 days, the right to buy individual health insurance policies, although Missouri does not regulate the rates charged.

Under a state court order, the Texas Department of Insurance on March 6 seized the operations of American Benefit Plans, based in North Richland Hills near Fort Worth, TX, and placed it into receivership.\*

Receivership officials, however, have not yet officially notified employers or insureds that the coverage is void. Lakin urged employers who may have sponsored the group contracts and incurred potential liability to check on the status of their coverage and advise employees.

American Benefit Plans lacked a license to sell insurance in Texas or Missouri, but sold coverage in 48 states for 31,000 persons. All were group plans sold to employers, which typically deducted the cost of premiums from employees' paychecks and forwarded the funds to the spurious health plan.

**MDI received its first consumer complaint from a Macomb, MO woman about American Benefit Plans and its failure to pay bonafide claims even before the Texas regulators seized control of its assets. The complaint involved an employee of a trucking company that sponsored coverage; sales of the health plan may have targeted trucking company employees.**

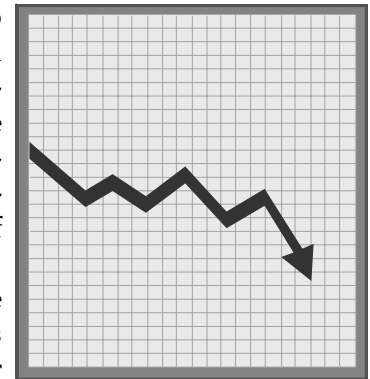
**(The department also began investigating another case in which a Florida-based company may have been selling unlicensed coverage and stopped paying claims.)**

Persons who bought American Benefit Plans coverage also may believe they were doing business with the National Association of Working Persons, Managed Healthcare Inc., First Access Health Plans or

United Employers Voluntary Employee Beneficiary Association. Several other purported workers' associations were involved in the sales.

Because American Benefit Plans was unlicensed, Missouri's guaranty association will not pay for claims not covered by the company's assets after they are liquidated.

But an official with the Texas receivership of American Benefit Plans said it had considerable assets, chiefly through bank accounts, that should provide some payment for claims after liquidation.



(See *unlicensed group health*, p. 4)

### ***unlicensed group health***

*(continued from page 3)*

To contact the Texas receivers in charge of American Benefit Plans about claims or premium payment issues, call 512-263-4650.

Missouri employers and their workers can verify whether their current health plans, or those being offered, are licensed here by calling the toll-free MDI Consumer Hotline at 1-800-726-7390. A listing of licensed companies is available on the MDI Web site at [www.insurance.state.mo.us](http://www.insurance.state.mo.us)

### **Lakin says increasing insurance costs likely to spur, sale of illegal plans**

Lakin said he fears that a third consecutive year of double-digit percentage increases in health insurance premiums will tempt many employers to consider plans that are unlicensed. State-licensed plans have MDI oversight of their finances, MDI intervention on consumer complaints, appeals of denial of care and other assurances that consumers will get the full value of their benefits under the contract.

Lakin said employers – who choose the group plan – need to protect themselves, their employees and dependents by contacting MDI to see if the firm and agent are licensed. If in doubt about the insurer's real name, ask the agent, and check the benefit booklet to see whether it names a licensed company that is fully insuring the coverage.

If the agent selling the product does not have a state license, the employer should immediately report both the agent and product to MDI.

Patronizing a licensed agent or a plan with licensed administrators does not provide assurances that the plan itself is backed by a licensed insurer. Managed Healthcare Inc. in Houston was a state-licensed administrator for the National Association of Working Persons' illegal plan, for example.

A typical fraudulent health insurance scam attempts to recruit as many local insurance agents as possible to market the coverage. Agents are told it is regulated by federal, not state law. In fact, it is totally illegal.

Employers may offer self-insured or so-called ERISA plans, regulated by federal not state law, in which they cover the cost of employee health care and may carry so-called stop-loss insurance to protect themselves against catastrophic

expenses. A union may also offer legal coverage that is exempt from state regulation.

But unions establish legitimate plans for the benefit of their own members, and employers establish legitimate self-insured plans for their own employees. Neither type is ***sold*** by an insurance agent.

Do not buy any plan that is only covered by "stop-loss" insurance, Lakin said.

A scam's coverage is typically offered regardless of the applicant's health condition and at lower rates and with better benefits than can be found from licensed insurers. The scam seeks to collect a large amount of premium as rapidly as possible.

While claims are paid initially, the scam will soon begin to delay payment and offer excuses for failure to pay, Lakin said. Unsuspecting consumers who thought they were covered for their medical needs usually are left responsible for huge medical bills. Employers may be liable for the medical bills of their employees as well.

Named in the receivership case are the following defendants who allegedly conducted business:

- United Employers Voluntary Employee Beneficiary Association
- United Employers Voluntary Employee Beneficiary Association I
- National Association for Working Americans
- National Association of Working Americans
- Robert David Neal, individually and doing business as: American Benefit Plans; United Employers Voluntary Employee Beneficiary Association; United Employers Voluntary Employee Beneficiary Association I; National Association for Working Americans; and National Association of Working Americans
- Robert Neal Pointer, individually and doing business as: Electronic Benefits Group, Inc.; American Benefit Plans; and Electronic Benefits Group Inc.
- Jose Michael Mangawang, individually and doing business as: National Association of/for Working Americans; Enhanced Health Management; and American Benefit Plans
- John Baptist Ramirez, also known as Johnny Rhondo, individually and doing business as:

*(See ***unlicensed group health***, p. 5)*

# Regulatory Actions -

February & March 2002

## Legal action - agents, agencies, brokers, companies

*Aetna Life Insurance Co.*, Hartford, CT, \$1,000 forfeiture for filing inaccurate statistical data.

*Allmerica Financial Life Insurance and Annuity Co.*, Worcester, MA, \$1,000 forfeiture for filing inaccurate statistical data.

*American Heritage Life Insurance Co.*, Jacksonville, FL, \$1,000 forfeiture for filing inaccurate statistical data.

*American Investors Life Insurance Co.*, Topeka, KS, \$1,000 forfeiture for filing inaccurate statistical data.

*American Life & Health Insurance Co.*, Mission Viejo, CA, \$1,000 forfeiture for filing inaccurate statistical data.

*American Public Life Insurance Co.*, Jackson, MS, \$1,000 forfeiture for filing inaccurate statistical data.

*Amica Life Insurance Co.*, Providence, RI, \$500 forfeiture for filing inaccurate statistical data.

### unlicensed group health

(continued from page 4)

The Four Corners Co., LLC also known as Four Corners Corp. and The 4 Corners Co., LLC

- American Association of Agriculture, Forestry and Fishing Workers

- American Association of Transportation, Communication, Electrical, Gas and Sanitary Workers

- American Association of Wholesale Trade Workers

- American Association of Manufacturer Workers

- American Association of Service Workers

- American Association of Construction Workers

- American Association of Professional Workers



*Bankers Life and Casualty Co.*, Carmel, IN, \$1,000 forfeiture for filing inaccurate statistical data.

*Bankers Life Insurance Co.*, St. Petersburg, FL, \$1,000 forfeiture for filing inaccurate statistical data.

*CIGNA Life Insurance Co. of New York*, Philadelphia, PA, \$1,000 forfeiture for filing inaccurate statistical data.

*Columbia Universal Life Insurance Co.*, Northbrook, IL, \$1,000 forfeiture for filing inaccurate statistical data.

*Conseco Life Insurance Co.*, Carmel, IN, \$1,000 forfeiture for filing inaccurate statistical data.

*Crown Life Insurance Co.*, Regina, Saskatchewan, \$1,000 forfeiture for filing inaccurate statistical data.

*CUNA Mutual Insurance Society*, Madison, WI, \$1,000 forfeiture for filing inaccurate statistical data.

*Equitable Life & Casualty Insurance Co.*, Salt Lake City, UT, \$1,000 forfeiture for filing inaccurate statistical data.

*Equitable Reserve Association*, Neenah, WI, \$1,000 forfeiture for filing inaccurate statistical data.

*First Allmerica Financial Life Insurance Co.*, Worcester, MA, \$1,000 forfeiture for filing inaccurate statistical data.

*FFG Insurance Co.*, Dallas, TX, \$1,000 forfeiture for filing inaccurate statistical data.

*Golden Rule Insurance Co.*, Lawrenceville, IL, \$1,000 forfeiture for filing inaccurate statistical data.

*Gray, Inc.*, Springfield, MO, \$1,000 forfeiture for underwriting, failure to respond, no license and employing unlicensed individuals.

*Jefferson-Pilot Life Insurance Co.*, Greensboro, NC, \$1,000 forfeiture for filing inaccurate statistical data.

*Kanawha Insurance Co.*, Lancaster, SC, \$1,000 forfeiture for filing inaccurate statistical data.

*Lyndon Life Insurance Co.*, St. Louis, MO, \$1,000 forfeiture for filing inaccurate statistical data.

(See *Regulatory Actions*, p. 6)

## Regulatory Actions

(continued from page 5)

**Madison National Life Insurance Co., Inc.**, Madison, WI, \$1,000 forfeiture for filing inaccurate statistical data.

**Members Life Insurance Co.**, Madison, WI, \$1,000 forfeiture for filing inaccurate statistical data.

**Meyer Title Co.**, Troy, MO, \$50 forfeiture for unsound underwriting practices.

**Midwest Security Life Insurance Co.**, Onalaska, WI, \$1,000 forfeiture for filing inaccurate statistical data.

**National Life Insurance Co.**, Montpelier, VT, \$1,000 forfeiture for filing inaccurate statistical data.

**Old Reliance Insurance Co.**, Phoenix, AZ, \$1,000 forfeiture for filing inaccurate statistical data.

**Old Republic Life Insurance Co.**, Chicago, IL, \$1,000 forfeiture for filing inaccurate statistical data.

**Pennsylvania Life Insurance Co.**, Orlando, FL, \$1,000 forfeiture for filing inaccurate statistical data.

**Polish Women's Alliance of America**, Park Ridge, IL, \$500 forfeiture for filing inaccurate statistical data.

**Pruco Life Insurance Co.**, Newark, NJ, \$1,000 forfeiture for filing inaccurate statistical data.

**Prudential Insurance Co.**, Newark, NJ, \$1,000 forfeiture for filing inaccurate statistical data.

**Reliastar Life Insurance Co.**, Minot, ND, \$1,000 forfeiture for filing inaccurate statistical data.

**Security Life of Denver Insurance Co.**, Denver, CO, \$1,000 forfeiture for filing inaccurate statistical data.

**Southern Security Life Insurance Co.**, Lake Mary, FL, \$1,000 forfeiture for filing inaccurate statistical data.

**Templeton Funds Annuity Co.**, St. Petersburg, FL, \$1,000 forfeiture for filing inaccurate statistical data.

**Texas Life Insurance Co.**, Waco, TX, \$1,000 forfeiture for filing inaccurate statistical data.

**Universal Guaranty Life Insurance Co.**, Springfield, IL, \$1,000 forfeiture for filing inaccurate statistical data.

**U.S. Life Insurance Co.**, Cincinnati, OH, \$1,000 forfeiture for filing inaccurate statistical data.

**Voyager Property and Casualty Insurance Co.**, Fort Worth, TX, \$1,000 forfeiture for filing inaccurate statistical data.

**Western Diversified Casualty Insurance Co.**, St. Louis, MO, \$1,000 forfeiture for filing inaccurate statistical data.

**Zurich Life Insurance Co. of America**, Schaumburg, IL, \$1,000 forfeiture for filing inaccurate statistical data.

## The following companies forfeited \$100 for failure to respond to complaints:

**Allianz Life Insurance Co. of North America**, Minneapolis, MN.

**Allied Property & Casualty Insurance Co.**, Des Moines, IA.

**American Motorist Insurance Co.**, Long Grove, IL.

**American National General Insurance Co.**, Springfield, MO.

**American National Insurance Co.**, Galveston, TX.

**Atlanta Life Insurance Co.**, Atlanta, GA.

**Balboa Insurance Co.**, Irvine, CA, - 2 violations.

**Farmers Insurance Co., Inc.**, Overland Park, KS.

**Hartford Underwriters Insurance Co.**, Hartford, CT.

(See *Regulatory Actions*, p. 7)

## Public Policies

*published by*

Missouri Department of Insurance  
301 W. High St. - P.O. Box 690  
Jefferson City, MO 65102-0690

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*Public Policies* serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

Comments or questions, call 573-526-2946.

## Regulatory Actions

(continued from page 6)

*Kansas City Life Insurance Co.*, Kansas City, MO.

*Progressive Casualty Insurance Co.*, St. Louis, MO.

*Prudential Property & Casualty Insurance Co.*, Scottsdale, AZ.

*USAA Casualty Insurance Co.*, San Antonio, TX.

## Financial Exams

*American Automobile Insurance Co.*, Novato, CA

*CIGNA Healthcare of St. Louis*, St. Louis, MO

*Family Health Partners*, Kansas City, MO

*Fireman's Fund Insurance Co. of Missouri*, Novato, CA

*FirstGuard Health Plan*, Kansas City, MO

*GMAC Direct Insurance Co.*, Hazelwood, MO

*Preferred Physicians RRG*, Mission, KS

*United Investors Life Insurance Co.*, Birmingham, AL

## Company Changes

*AdvancePCS Health LP*, Scottsdale, AZ, was admitted as a third-party administrator (TPA).

*Administrator of Administration Services, LLC* d/b/a *Benefit Administrators*, Springfield, MO, certificate of authority as a TPA was suspended.

*American Family Life Assurance Co. of Columbus*, Columbus, GA, redomesticated from Georgia to Nebraska.

*American Specialty Health Networks, Inc.*, San Diego, CA, was admitted as a third party administrator (TPA).

*Atlantic Alliance Fidelity and Surety Co.*, Mt. Laurel, NJ, changed its name to *The Guarantee Co. of North America USA*.

*Attorneys Liability Protection Society RRG*, Missoula, MT, was registered as a risk retention group.

*AXA Global Risks (UK) Ltd.*, an alien surplus lines Co., voluntarily surrendered its surplus lines eligibility in Missouri.

*Clay Farmers Mutual Insurance Co.*, Napoleon, MO, converted from Part I Missouri mutual to a Part II Missouri mutual.

*Colfax Farmers Mutual Insurance Co.*, Tarkio, MO, converted from a Part I Missouri mutual to a Part II Missouri mutual.

*Coregis Indemnity Co.*, Chantilly, VA, changed its name to *Noetic Specialty Insurance Co.*

*Crum & Forster Specialty Insurance Co.*, Morristown, NJ, redomesticated from Connecticut to Arizona.

*The Dental Concern Inc.* d/b/a *The Dental Concern/KY, Inc.*, Louisville, KY, withdrew as a TPA.

*Distinguished Programs Real Estate RRG, Inc.*, Charleston, SC, was registered as a risk retention group.

*Farmers Mutual Insurance Co. of Ste. Genevieve County*, Ste. Genevieve, MO, converted from a Part I Missouri mutual to a Part II Extended Missouri mutual.

*Financial American Life Insurance Co.*, Des Plaines, IL, added life, annuities and endowment authority.

*Hawkeye Security Insurance Co.*, Boston, MA, changed its name to *Homeland Central Insurance Co.*

*HRM Claim Management, Inc.*, Minneapolis, MN, withdrew as a TPA.

*Humana Insurance Co.*, Louisville, KY, merged with *Employers Health Insurance Co.*

*Illinois EMCASCO Insurance Co.*, Des Moines, IA, redomesticated from Illinois to Iowa.

*Long Term Preferred Care, Inc.*, Brentwood, TN, withdrew its certificate of authority as a TPA.

*Midwest Security Administrators, Inc.*, Onalaska, WI, withdrew its certificate of authority as a TPA.

*Newark Insurance Co.*, Bethpage, NY, certificate of authority suspended.

*North American Co. for Life and Health Insurance*, Chicago, IL, merged with *NACOLAH Life Insurance Co.*

*Northern Group, Inc.*, Norcross, GA, withdrew its certificate of authority as a TPA.

*NYLIFE Administration Corp.*, Austin, TX, withdrew its certificate of authority as a TPA.

(See *Regulatory Actions*, p. 8)

## Regulatory Actions

(continued from page 7)

*OakRe Life Insurance Co.*, Jefferson City, MO, changed its name to *Preservation Life Insurance Co.*

*PaineWebber Life Insurance Co.*, Des Moines, IA, changed its name to *UBS PaineWebber Life Insurance Co.*

*Progressive Home Insurance Co.*, Mayfield Village, OH, redomesticated from Tennessee to Ohio.

*Republic Mortgage Insurance Co. of Florida*, Tampa, FL, was admitted with miscellaneous authority.

*Scottish Re (U.S.), Inc.*, Charlotte, NC, was approved as a qualified reinsurance company.

*The Midland Life Insurance Co.*, Fort Wayne, IN, merged with *Reassure America Life Insurance Co.*

*The United Kingdom Mutual Stem Ship Assurance Association Ltd.*, New York, NY, was removed from the NAIC surplus list.

*United Presidential Life Insurance Co.*, Carmel, IN, merged with *Conseco Life Insurance Co.*

*UniLife Insurance Co.*, Rosewell, GA, merged with *CompBenefits Insurance Co.*

*Unionamerica Insurance Co. Limited*, New York, NY, withdrew from the NAIC surplus lines listing.

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## Market Conduct Exams

*The Assurant Group - Miami, FL*

*Fine: \$35,300*

The exam found Assurant:

- Paid commissions to agencies without maintaining a current license in the file and; paid commissions to agencies with expired licenses in the file.

- Allowed agencies to sell credit insurance without obtaining a license.

- Failed to notify MDI of the appointment date of agencies and telemarketers.

- Paid commissions to agencies that exceeded the 40 percent limit.

- Allowed agencies to sell credit life coverage for loans that exceeded the 10-year limit and \$25,000, and allowed agencies to use enrollment forms that were not filed with MDI.

- Allowed agencies to sell a group life product on mortgage loans. The coverage amount exceeded the \$25,000 limit and 10-year loan limit in the law. The company also sold this policy as a credit life product when it is a life insurance product. The statutes and regulations pertaining to life insurance and not credit insurance are applicable.

*Assurant* must provide the consumer with the option of keeping the insurance policy or receiving a refund of all premiums paid, plus 9 percent interest. If the policy is retained the company must offer a monthly premium product, such as a decreasing term life, equal to the initial loan amount, calculate the percentage of premium they have earned from the single premium payment and refund the remaining amount, plus interest. The premium must be monthly for the remainder of the coverage, and Assurant must ensure that the consumer is notified that they need to consider current insurance needs and health status before canceling the coverage.

- Failed to pay interest on refunds that were ordered in the previous Missouri market conduct examination.

- Failed to reply to the examiners' criticisms within the 10-calendar-day time frame.

*Federated Mutual Insurance Co. - Owatonna, MN*  
*Fine: \$15,907*

The insurer:

- Failed, in cases of a total loss on property claims for a motor vehicle, trailer, boat or outboard motor, to use a sales tax certification form that contained an adequate notice that the certification is valid for only 180 days.

- Made a data input error that resulted in undercharging numerous business owners policies.

- Used schedule credits/debits for its commercial property policies that exceeded 25 percent, failed to obtain a signed application and failed to document the reason for applying a scheduled credit.

(See *Regulatory Actions*, p. 9)



## Regulatory Actions

(continued from page 8)

**Chubb Group - Warren, NJ**

**Fine: \$35,121**

The group:

- Assessed an expense fee on its private passenger automobile policies. The company will file a corrected policy with the department.
- Used an expense debit when the regulation only allows for the use of an expense credit.
- Rated its renters policies with an incorrect territory code.
- Failed to provide the MJUA notices to its renters policies that terminated.
- Failed to provide a notice to its commercial insureds on their right to ask the company/agent for an explanation of the premium modifications.
- Used cancellation notices for its workers compensation policies that contained a 30-day period instead of the required 60.
- Incorrectly rated its commercial automobile policies resulting in overcharges and undercharges, used incorrect territory codes, used credits in excess of 25 percent, used incorrect experience rating factors, listed incorrect vehicle age, failed to document credit(s)/debit(s) applied to policies, failed to document the underwriting/rating of policies and incorrectly calculated the uninsured, underinsured and hired motorist coverages.
- Used incorrect protection class and territory codes, and applications that inquired whether or not an applicant had been previously cancelled or nonrenewed for its commercial package policies.
- Calculated the premium for its commercial property policies using the same rate for buildings and contents and gave credits in excess of 25 percent.
- Failed to maintain documentation to support the experience rating factor used for medical malpractice policies.
- Incorrectly calculated the Second Injury Fund surcharge, inquired whether or not the applicant had been previously cancelled or nonrenewed, failed to document the reason why scheduled credits were applied, and applied credits that exceeded 25 percent.
- Failed to maintain the sales tax affidavit or provide proof that a sales tax affidavit was sent, failed to provide a written explanation of a claim

denial, used an affidavit that referred to a valid period of 90 days instead of the required 180 days, and failed to include the deductible amount in the affidavit.

**Meadowbrook Insurance Group - Southfield, MI**

**Fine: \$22,039**

Star Insurance Co., and Savers Property and Casualty Insurance Co., member companies:

- Used an application that inquired whether the applicant had been previously cancelled or nonrenewed, failed to file with MDI the rates used for hired and non-owned automobile policies, and failed to file uninsured and under-insured rates for the Missouri public entities program.
- Failed to pay a claimant their temporary total disability payment 14 days, and underpaid those claims. The companies will review workers compensation claims for the last three years and determine whether or not any other claimant was underpaid and is owed additional benefits, plus interest.

**Christian Fidelity Life Insurance Co. - Waxahachie, TX**

**Fine: \$61,655**

The insurer:

- Allowed an individual to solicit insurance coverage without a Missouri license.
- Used forms that contained incorrect information, used applications that inquired whether the applicant has been previously cancelled or nonrenewed and used policy forms that failed to clearly note suicide riders.
- Used Medicare supplement applications that did not show the plan applied for. Evidence existed of applications altered without the applicant's initialing the changes. Premiums were not returned within 60 days when the policy was not issued, and premiums were not returned during the "free-look" period.
- Failed to refund unearned premium unless requested by the beneficiary. MDI instructed the company to review all affected policies and to make restitution.
- Failed to inform the claimant in writing within 45 calendar days from the initial notifica-

(See *Regulatory Actions*, p. 10)

## Regulatory Actions

(continued from page 9)

tion and every 45 calendar days thereafter, on why additional time is needed.

- Failed to either accept or deny a claim within 15 working days after the submission of all forms necessary to establish the nature and extent of any claim.

- Failed to acknowledge receipt of the notification of a claim within 10 working days.

**American Alternative Insurance Corp. - Princeton, NJ**

**Fine: \$10,350**

The insurer:

- Incorrectly calculated the premium discount on workers compensation policies.

- Failed to notify an insured at renewal of a change in schedule rating for a commercial policy resulting in a premium increase.

- Applied a schedule debit for equipment in excess of the company's filing for commercial automobile policies.

- Rated risks in incorrect protection classes and allowed schedule credits in excess of its filing.

- Failed to properly document the premium charged and agreed to a premium to which American Alternative adjusted the payroll.

- Charged a debit in excess of the maximum allowed, surcharged an excessive premium for the Second Injury Fund, failed to apply the experience rating modification factor to Missouri portion of a risk, failed to maintain documentation to support the schedule credit/ debit or experience rating factor applied to

(See **Regulatory Actions**, p. 11)

## MDI Employee of the Quarter - Rebecca Varney



*Rebecca Varney,  
MDI Employee of the Quarter*

Multi-tasking, hard working, dedicated and motivated are all words that describe Rebecca Varney, MDI's Employee of the Quarter.

Varney is a clerk typist III in the Special Investigations Section with the department. She has been with the department for five years. In her current position Varney provides clerical/office support to six special investigators and senior counsel, enters and updates complaint information, answers phone and provides direction to consumers, responds to requests from consumers

and responds to inquiries from applicants whose applications have been forwarded to investigations from licensing.

Varney faces many challenges as support staff for seven investigators, especially being an active listener when taking consumer calls. Varney identifies the nature of the call and tries to determine who can best assist the complainant. Being part of a team is very important to Varney. The consumer can expect assistance from any member of the consumer affairs staff from the receptionist all the way to the division director.

Varney has experienced personal growth through increased responsibility with new assignments and the department's support of education. Varney has earned two designations - Associate, Insurance Regulatory Compliance and Associate, Customer Service and completed several college courses.

Varneys' goals are to learn more about insurance regulation, obtain her Fellow, Life Management Institute designation, enhance her communication, computer and customer service skills and become a better team player.

"The investigations section could not operate with Rebecca's competence, efficiency, knowledge, motivation and commitment," says Kathryn Turner, investigation section supervisor. "She truly supports our staff by handling a variety of projects from all seven of us at the same time on a daily basis. She makes each of us do our jobs better by her attention to our work and hers. I have never heard her complain about the workload, and in fact, when the workload seems most overwhelming, Rebecca usually comes up with an idea to take the pressure off. Rebecca has excellent organizational skills and is able to handle the workload from seven others because of her attitude and excellent work ethic."

Varney has lived in Jefferson City for six years. She has a wonderful partner, a delightful daughter and an energetic entertaining granddaughter. ❖

## Regulatory Actions

(continued from page 10)

premium, and used an application that asked whether the applicant had been cancelled, non-renewed or declined.

- Failed to give a clear and specific reason for a cancellation or non-renewal, and failed to provide 60 days notice of a cancellation or non-renewal to the insureds.

- Applied an incorrect deductible and failed to complete its investigation of a claim in timely manner.

- Failed to list complaints in its complaint log.

### **National Insurance Association - Indianapolis, In. 46206 - Filing Order**

Based upon the findings of the examiners, no regulatory action appears to be required. However, issues raised in the report need to be addressed by National Insurance Association to ensure compliance with Missouri laws.

**National Insurance Association** is directed to ensure that:

- The company furnishes sales tax credit affidavits to all claimants that had personal automobile total loss claims.

- The company furnishes sales tax credit affidavits that show the affidavit is valid for 180 days to claimants that had personal automobile total loss claims.

- The Company does not use underwriting guidelines that solely use an applicant's age or occupation as grounds to make the applicant ineligible for private passenger automobile coverage.

- The Company does not have underwriting guidelines that require it to charge for no-fault accidents if the insured can not document it was a no-fault accident.

The insurer must implement these corrections within 30 days. ❖

## State insurance director offers simple rules, assistance for southeast storm victims

Missouri Department of Insurance Director Scott B. Lakin is urging Missourians to follow a few easy rules to make insurance recoveries as simple as possible after recent storms, which inflicted severe damage on several southern Missouri communities.

Lakin also said the state insurance agency is notifying and surveying major insurers to make sure sufficient adjusting teams are dispatched to the areas, which will increase the speed of insurance benefit payments.

***Following these simple rules can help reduce the hassle, delays and helplessness that storm victims often feel, Lakin said. They include:***

- 1) Check for any injuries and conditions, like fallen power lines or broken gas lines, that will make cleanup dangerous. Remember: money can replace lost property; it cannot replace a human life or reverse permanent disabilities.

- 2) If your property is no longer secured, try to remain on the premises. Take steps to keep further damage to a minimum, such as covering broken windows or holes in the roof. Otherwise, the insurer may refuse to pay for subsequent damage from water. Keep receipts on these temporary repairs to submit for reimbursement.

- 3) Contact your agent or insurer. Keep a record of the time, date, topic and name of the person you talk to every time you call. Major disasters can swamp local agents, and larger companies often set up mobile units as bases for contingents of adjusters. Pay attention to local media announcements and ads about special arrangements.

- 4) Ask whether your policy covers living expenses, such as hotel or food bills, if your home is uninhabitable.

- 5) Make a list of all personal property destroyed or damaged. The wise homeowner keeps an inventory of property, with purchase price, date and place, in a safe place, and that list can serve as a master for detailing your damages.

- 6) Assess whether the proposed monetary settlement is reasonable. You may be approached by a state-licensed public adjuster who wants to represent you in negotiations with the insurer.

Lakin also advises storm victims **not** to sign an agreement with a public adjuster before the insurer has made its own estimates and settlement offer. Public adjusters generally charge a percentage of the full settlement as their fee. Consider hiring a public adjuster only when you anticipate any settlement increase will exceed the public adjuster's cost.

***By law, MDI cannot help policyholders negotiate a settlement, but the department can assist when:***

- The agent or company does not respond to your calls, either before or after you file a claim. If you cannot make contact within 48 hours, consider calling MDI.

- The company does not provide temporary lodging and other assistance specified in the policy.

- The insurer contends damage is not covered, but the contract appears to provide those benefits.

(See *storm victims*, p. 12)

## Personnel

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### New Hires

Gregory Adams, Consumer Services Specialist  
Jeana Saak, Consumer Services Specialist  
Jennifer Karr, Financial Analysis Specialist  
Linda Bohrer, Consumer Services Manager  
Carolyn Kerr, Legal Counsel  
Alma Marshall, Kansas City

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### Promotions

Mike Shadowens to Examiner in Charge  
Kim Tones to Financial Analysis Manager

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### Transferred

Shanti Ramakrishna to Financial Examiner

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### Resignations

Doug Hartz  
Karen Zoellner  
Tyanna Scott  
Tamara Adams

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### Retired

Mary Lou Clack, Market Conduct Examiner  
Mike Moran, Financial Examiner

## storm victims

*(continued from page 11)*

• Adjusting and payment do not meet legal deadlines. In a typical instance, the company has a maximum 10 days to acknowledge a claim, 30 days to investigate and 15 days to pay or deny the amount.

MDI cannot serve as judge and jury on disputes about value of the damage. But because MDI licenses agents and insurers, it can mediate disagreements about contract language and state legal requirements on coverage, when necessary.

**MDI consumer service representatives can explain how the fine points of the law relate to specific classes. Call toll free 1-800-726-7390 or file an inquiry or complaint on our Internet site, [www.insurance.state.mo.us](http://www.insurance.state.mo.us).**

By contacting MDI, consumers can learn whether a case is typical, the insurer's actions are lawful or if they need to take action.

That kind of MDI assistance helped Missouri consumers collect more than \$16 million in reimbursements, usually from unsatisfactory settlements or claim denials, in 2001.

*Lakin, a former insurance agent and state lawmaker, became Missouri Department of Insurance director in March 2001.*

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**Missouri Department of Insurance**  
**P.O. Box 690**  
**Jefferson City, MO 65102-0690**